

Budget Digest

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THE PRESIDENT'S FY20 BUDGET REQUEST

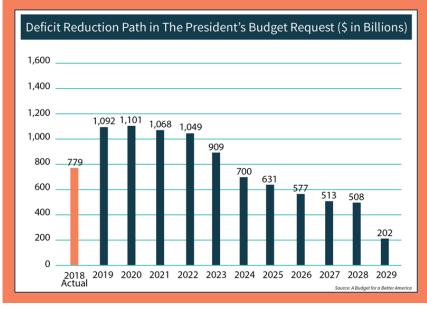
Today, the Trump Administration submitted its formal budget request for Fiscal Year (FY) 2020 to Congress.

What Is the President's Budget Request? While Congress holds the power of the purse, historically the President's budget request kicks off the <u>congressional budget process</u> in both the House and the Senate and serves as a starting point for lawmakers to determine funding levels and national spending priorities.

Tomorrow, the House Budget Committee will welcome Office of Management and Budget Acting Director Russell Vought to testify on the administration's budget proposal, entitled *A Budget For A Better America*. Key components include:

Steps Toward Deficit Reduction. Under *A Budget For A Better America*, deficits as a share of gross domestic product (GDP) decline from 5.1 percent in 2019 to 0.6 percent in 2029 – a \$2.8 trillion reduction.

Defense and Non-Defense Discretionary Spending. The President's budget adheres to the defense and non-defense discretionary spending caps for FY 2020 as prescribed in the



Budget Control Act, making requests for \$576 billion and \$543 billion respectively. Including requested funding for Overseas Contingency Operations (OCO), total defense spending is \$750 billion in FY 2020. In the budget request, defense spending grows to \$807 billion in 2029, while non-defense discretionary funding is reduced to \$443 billion that same year.

Mandatory Savings. Mandatory spending today accounts for 70 percent of all federal spending and is the biggest driver of our nation's deficits and debt. The President's request would achieve more than \$2 trillion in savings from direct spending proposals. These include: increasing State flexibility in Medicaid, addressing high drug prices in Medicare, and reforming the welfare system, federal student loans, and federal employees' benefits.

Revenues. The President's budget assumes revenue levels increase from \$3.4 trillion in 2019 to \$6.3 trillion in 2029.

Economic Assumptions. The administration projects real growth in GDP to average 2.9 percent annually over the next decade. The *Tax Cuts and Jobs Act* and regulatory reforms are primary contributors to this growth, which is similar to the long-term average rate of growth of the U.S. GDP.